



MEMORANDUM

GOE

AGENDA ITEM NO. 7 (E)

TO: Hon. Chairperson Natacha Sejas
and Members, Governmental Operations
and Environment Committee

DATE: April 20, 2004

FROM: George W. Burgess
County Manager

SUBJECT: Report on WASD's Plans to
Address Audit Recommendations

The following is a status report regarding the audit of the Miami-Dade Water and Sewer Department's (Department or WASD) collection and accounts receivable practices conducted by Audit and Management Services. Attached is a matrix document reflecting the Department's plans for addressing each of the audit recommendations included in the WASD Delinquent Accounts Receivable Management Review Audit Report submitted to the Board of County Commissioners on January 7, 2004. As reflected in the Department's response, numerous procedures are being considered and are currently being implemented to address the areas of concern.

As mentioned in the Department's formal response, the implementation of the Customer Information System (CIS) impacted operations involving customer accounts. The implementation took more than three and one-half years to complete. Numerous operations were impacted after going live and decisions were made to ensure that basic functions were maintained during the transition period. Overall, the CIS has provided numerous improvements to the Department and increased customer interaction, especially through services that are now available through the Internet.

One of the concerns expressed by Audit and Management Services is the trend towards the increasing amount of delinquent account receivables over 90 days. However, by their nature, many types of receivables require more than 90 days to resolve. The following listing illustrates this point:

Liened accounts	\$1,538,520
Bankruptcy accounts	1,334,242
Government accounts	1,720,607
Multi-Units	1,438,899
Administrative hearings, investigations, payment arrangements, etc (estimated)	<u>300,000</u>
Total	<u>\$6,332,268</u>

Additionally, if implementation of the CIS had not adversely affected operations, and the annual write-off had been performed for the past two years, the "over 90 days" delinquent accounts would have been reduced by approximately \$6.3 million. This is now being corrected.

The Department will continue to monitor this activity and implement the appropriate cost effective measures to minimize the County's exposure for uncollected revenues.

Assistant County Manager

AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS			
			PORTFOLIO ANALYSIS		ESTIMATED COMPLETION DATE	
				DATE COMPLETED		
9a	Re-engineer processes and re-assess policies to promote maximum recovery of balances due, including timely service disconnection, to discourage customer abuse and minimize overdue receivables. Consult with other jurisdictions to benchmark and implement "best practices" for collections.	The Department agrees that swift and decisive utilization of service disconnection when required should minimize collection risk. In general, the Department attempts to disconnect service if payment is not received after 40-42 days. By design, the Field District Offices (FDOs) receive the field orders for delinquent accounts (Cuts for non-payment or CONPs) 42 days after the accounts are billed	<p>A Revise the procedures for any delayed CONPs after they have been dispatched (such as 24-hour grace period), to ensure that they are worked more quickly.</p> <p>B Complete benchmark report.</p> <p>C Implement innovative best practices</p>	A 2/28/04 B 4/30/04 C Ongoing D	A B C	
9b	Increase executive oversight of Collections operations; establish and enforce performance goals and productivity standards for the Division, as well as Collections managers and staff.	The Department agrees to benchmark and implement innovative industry best practices to improve account collections.	<p>A There are standardized productivity reports for each employee and each FDO. These are reviewed regularly by supervisors and management. While field reps generally make 30-40 stops each day, including collections, connect and disconnect orders, the number of stops varies, depending on field conditions, weather conditions, geographic location of the accounts, the distance required to drive, etc.</p> <p>B The Collection Branch has long had productivity and collection reports. These are both by individual reps and by function.</p> <p>C Productivity standards for each function have already been proposed.</p> <p>D Function Review has begun to assess each specific function in regard to general status, problems, back-log, and suggestions for better efficiency.</p>	A Ongoing B 4/30/04 C 5/31/04 D Ongoing quarterly	A B C D	

MIAMI-DADE WATER AND SEWER DEPARTMENT
AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS		ESTIMATED COMPLETION DATE DATE COMPLETED
			See 9b.	See 9c. See 9d. See 9e.	
9c	Regularly obtain data necessary for effective operational analysis, including identification of abnormal trends, and monitoring key aging statistics to assess collection effectiveness.	The Department believes that the current internal collection procedures can be further improved and continues to review the allocation of resources. Under current procedures, once an account is closed, the system generates a reminder notice after 30 days. The Lien Unit reviews the accounts for possible lien and after 60 days, those accounts that are not eligible for lien are referred to the Collection Unit for internal processing. The Collection Unit attempts various collection procedures and if their efforts are unsuccessful, the accounts are referred to Finance Credit and Collections after 120 days. To reduce this process to 90 days would not allow adequate time to complete all internal procedures.	Continue to improve the current internal collection procedures and continue to review the allocation of resources. To reduce the internal collection process to 90 days would not allow adequate time to complete all internal procedures.	Ongoing Ongoing	A Ongoing B Ongoing
9d	Optimize use of internal collection resources and seek external assistance from the Finance Department Credit and Collections Division within 90 days of delinquency if primary collection efforts are unsuccessful.	The Department agrees to perform a write-off of delinquent accounts. On a yearly basis, the Department will review accounts with outstanding balances over two years old and recommend them for write-off.	A review is currently underway and will be done on a yearly basis and accounts with balances outstanding more than two years will be recommended for write-off	A Retail accounts under \$500: 3/31/04. B Retail accounts over \$500: 9/30/04	A B

MIAMI-DADE WATER AND SEWER DEPARTMENT
AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS		ESTIMATED COMPLETION DATE DATE COMPLETED
			Findings	Actions Taken	
9f	Fill the Customer Services Division Chief vacancy as soon as possible.	The Department agrees that the Customer Service Division Chief's position should be filled.	Complete interview process and hire Customer Service Division Chief.		4/30/04
12a	Re-engineer FDO delinquent residential account management practices to include enhanced managerial oversight and institution of accountability, performance and productivity standards.	<p>RESIDENTIAL ACCOUNT MANAGEMENT</p> <p>The Department has recently updated the CSR1 Manual. The CSR 1 Manual revision was completed in December 2003. The manual contains performance standards for all CSR 1 field work, including field collections. While field reps generally make 30-40 stops each day, including collections, and connect and disconnect orders, the number of stops varies, depending on field conditions, weather conditions, geographic location of the accounts, the distance required to drive, etc. As noted above, connects and disconnects take priority. This is monitored and managed by the FDO supervisors and the Customer Service Manager. There are standardized productivity reports for all FDOs and employees. However, it is not the policy of the Department to use productivity standards that would stipulate that a field rep collect a certain percentage or dollar amount of the CONP orders.</p>	<p>The Department is currently reviewing delinquent residential account management practices</p>	9/30/04	
			For a detailed explanation of the 21 accounts listed on page 11 of the Audit Report, see Exhibit A.		Ongoing
12b	Provide additional employee training to improve collection recoveries, as well as maximize productivity and utilization of CIS capabilities. Establish performance goals for	<p>The recently updated manual has been made available for FDO personnel providing guidance for activities including collection recoveries</p> <p>The Department believes that there are a number of queries available in the CIS that are used on a regular basis to track such things as</p>	Management reviews the reports from queries frequently, and works with the FDOs to address issues, such as a large backlog, or staffing shortages. For example, staff will be re-assigned from one FDO to another to reduce a backlog. CONPs >\$500 and >\$1,000 are given priority when the FDOs dispatch and assign work.	Ongoing	

MIAMI-DADE WATER AND SEWER DEPARTMENT
AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS		ESTIMATED COMPLETION DATE / DATE COMPLETED
			Ongoing	Ongoing	
12c	management and Collections personnel.	the number of CONPs in an FDO pending dispatch, the number of CONPs dispatched, but not completed (usually data entry); the number of CONPs >\$500 and >\$1,000. The Department believes that guidelines are sufficiently established for FDOs.	The Department has determined that it is cost effective to give the benefit of the doubt to the customer, in order to prevent disconnecting service in error. Therefore, field reps are given discretion to leave services on. There are many factors involved (such as field conditions, access to the meter, a customer's payment history, etc.) that are used by the reps as guidelines in performing their collection duties. See 9e.	See 9e.	Ongoing Ongoing
12d	Re-assess guidelines for FDOs to assure uniform application of collection and disconnection policies to all customers.	Within six months, write-off an aggregate \$6.3 million in residential account balances now delinquent more than one year.	See 9e.	See 12a.	See 9e.
12e	Update procedures employed by CSRs to strengthen decision support and reduce discretionary authority for service disconnection.	See 12a.	See 12a.	See 12a.	See 12a.
12f	Regularly use Equifax to assess creditworthiness and report delinquent customers to credit reporting agencies. Customers with poor credit or chronic delinquencies should be required to post substantially-higher deposits that could be applied to mitigate risk of past-due balances.	The Department agrees that it is important to assess creditworthiness.	The contract with Equifax is no longer available. In the process of procuring similar service, GSA Procurement decided that we could not continue to renew the contract. However, the Department does agree that it is essential to get such a contract with Equifax or a similar vendor and will continue to pursue a contract through the RFP or bid process.	9/30/04	9/30/04

AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS	
			GOVERNMENT, COMMERCIAL AND MULTI-UNIT	ESTIMATED COMPLETION DATE DATE COMPLETED
14a	Within six months, settle or write off balances in arrears more than one year.	See 9e.	See 9e.	See 9e.
14b-15	Benchmark and implement innovative industry best practices to improve account collection. Institute more aggressive measures through the Office of the County Attorney to counteract legal maneuvers by property owners.	The Collection Branch has worked with the County Attorney's office on several accounts in the past, even going to court on some cases. More cases will be referred to their office.	Monitoring previously referred accounts for any payment and current status. Review any new seriously delinquent accounts owing large balances for possible reference to the legal office.	2/28/04
15a	Increase management oversight. Develop exception and variance reports for management and Collections personnel.	The Department agrees that management oversight can be increased.	Existing reports identify past due accounts in categories of over \$500, over \$5,000, and over \$25,000 and are reviewed by the Supervisor of Collections. New queries will be developed for more specific needs such as multi-units over 15 units.	3/31/04
15b	Routinely evaluate customer credit history requiring those with poor credit or chronic delinquencies to post substantially-higher deposits that could be applied to mitigate risk of past-due balances.	The Department agrees credit history should be used in determining deposit amounts. The Department will reassess the requirement of escalated deposits.	Study the impact of escalated deposits and make recommendations for changes in the Department's deposit policy requirements.	9/30/04
15c	Contact Los Angeles officials regarding JUMP and evaluate feasibility of County implementation to protect honest tenants from unethical landlords.	The Department agrees and has received the documents provided by Audit Management Services regarding practices with the City of Los Angeles	Determine impact and review legal considerations with County Attorney and make recommendations	9/30/04

MIAMI-DADE WATER AND SEWER DEPARTMENT
AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS		ESTIMATED COMPLETION DATE DATE COMPLETED
			FLOATING METER ACCOUNTS	FLOATING METER ACCOUNTS	
16a	Perform an inventory of floating meters to determine current locations and reconcile unbilled consumption. Within six months, settle or write off account balances more than one year past due.	The Department agrees with the recommendations and is taking steps to address these concerns.	A review will be done on a yearly basis and accounts with balances outstanding more than two years will be recommended for write-off		A Retail accounts under \$500: 3/31/04. B Retail accounts over \$500: 9/30/04
16b	Offset amounts past due from contract payments to customers with current County contracts, when possible.	See 16a	The Department can only deduct the past due amount if it is directly related to the current County contract.		A B Ongoing Ongoing
16c	Determine customer creditworthiness and require settlement of outstanding indebtedness prior to issuing floating meters. Collect payment in advance for a minimum three months of estimated billings, as well as a deposit equal to meter replacement value.	The Customer Service Division is working with the Utilities Development Division to ensure that outstanding indebtedness is settled prior to issuing floating meters.	We are reviewing floating meter deposits, and plan to raise the deposit to either \$1,000 or \$1,500 for 1" meters, and \$2,500 for 2" meters. We also plan to revise the Rules and Regulations so that if a customer damages a meter so that it does not register usage and requires repair, the customer will forfeit the entire deposit.		9/30/04
16d	Issue floating meters for not more than one year based on customer creditworthiness and prior payment history. Assign meters to fixed locations, with installation and retrieval by WASD personnel.	The Department believes that assigning floating meters to a fixed location defeats the purpose of a floating meter in many instances, and would prohibit good customers from using them effectively.		N/A	N/A

AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS	ESTIMATED COMPLETION DATE DATE COMPLETED
16e	Track floating meter accounts receivables and monitor delinquencies/aging through reports and analyses generated by CIS.	The Department tracks floating meter activities through the Meter Shop and the Field Section of the Customer Service Division	We will move much of this function to the Collections Branch, and strengthen our collection activities, including disconnecting service to a domestic account for a delinquent floating meter account if that customer has another active account with the Department.	6/30/04
16f	Add delinquent customers to the County Registry of Delinquent Contractors and furnish data to credit bureaus for collection. Enlist cooperation from other Departments to deny permits and opportunities for additional County work to those refusing to pay.	The Collection Branch already reviews accounts with large amounts due (including floating meter accounts) and refers them to Dade County Finance to be included on the Registry of Delinquent Contractors.	N/A	N/A
19a	Reduce necessity of lien filings through more aggressive and effective collection techniques. Consider using finance Credit and Collections to assist in this effort.	The Department agrees that more effective collections should decrease lien filings. Filing liens gives the Department more leverage to collect outstanding balances on those accounts that are eligible for lien.	The Department retains subsequent collections on liened accounts. In addition, the Collection Unit has resumed the disconnection of services for outstanding liens as part of the Cross Reference Procedure.	Ongoing Ongoing
19b	Assess feasibility of collecting severely delinquent balances through special assessment liens resulting in more rapid recoveries than 20-year liens.	The Department agrees with the recommendation.	The Collection Unit disconnects services for outstanding liens as part of the Cross Reference Procedure. The Department's liens for outstanding water and sewer services are special assessment liens.	Ongoing Ongoing
19c	Establish minimum thresholds for lien filings to lower processing costs.	The Department agrees with the recommendation.	The Department is in the process of revising the Lien Ordinance to increase the minimum threshold for liens to \$100.00 and will submit item for BCC approval	6/30/04

MIAMI-DADE WATER AND SEWER DEPARTMENT

**AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX**

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS	ESTIMATED COMPLETION DATE / DATE COMPLETED
19d	Improve lien management through regular account reconciliation and enhanced reporting.	The Department agrees with the recommendation.	The Department currently receives reports of liens filed and paid. Supervisory review of all reconciliations will continue to be obtained.	Ongoing Ongoing
19e	Consolidate the Lien Unit and Collections to improve processing efficiency, communications and information flow.	Communication and information flow has been improved without consideration for consolidation of Lien Unit and Collections Unit.	The Department will consider consolidation and make a recommendation.	9/30/04
20a	Investigate balances outstanding more than one year and within six months resolve or write off balances deemed uncollectible.	The Department agrees that procedures for the establishment Job Order Receivables can be improved. However, most of the outstanding job order invoices are due to damages against departmental facilities and legal action against the damage perpetrators normally takes longer than one year. The Department will continue to investigate all outstanding balances and try to collect them.	JOB ORDER RECEIVABLES A review will be done on a yearly basis and accounts with balances outstanding more than two years will be recommended for write-off.	A B
20b	Enlist cooperation from other Departments to deny construction permits and opportunities to delinquent parties, placing them on the Registry of Delinquent Contractors when appropriate.	The Department agrees that additional cooperation from other County departments will help collection efforts.	After all collection efforts have been exhausted internally, the Department refers delinquent job order claims to Dade County Finance Credit & Collections Section or the Assistant County Attorney's office to pursue further collection activities, including legal action. Delinquent Contractors are only listed on the Registry of Delinquent Contractors when the Department has a final adjudication of responsibility (judgment from the Court). A report will be developed to submit to other County Departments (Public Works, DERM, Building & Zoning) to notify them of outstanding amounts due to WASD.	3/31/04
20c	Investigate incidents of contractor damage to infrastructure within three days of occurrence. Prepare incident reports within 10 days, bill assessed damages and collect within 30 days.	The Department agrees that timely investigation is necessary for the proper establishment of liability. With the exception of very few cases, the Damage Investigation Unit investigates damages within three days of the incident discovery date and the Unit sends a letter to the damage perpetrator within ten days of the damage discovery date.	Letters sent to the damage perpetrators within ten days of the damage discovery date. Sending notices to the responsible Divisions regarding outstanding job orders	Ongoing Ongoing
			Continue to send notices regarding outstanding job orders to the responsible Divisions; set up meetings with Division Chiefs and employees in the field who are working on job orders to give them time deadlines to submit the paperwork to the Wholesale Billing Unit.	

MIAMI-DADE WATER AND SEWER DEPARTMENT
AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS		ESTIMATED COMPLETION DATE DATE COMPLETED
		The Wholesale Billing Unit has reduced the timing to bill job orders; however, further improvement in this area is directly related to requiring the field personnel to provide complete and accurate backup documentation to the Wholesale Billing Unit in a timelier manner. In addition, the Department is in the process of acquiring a new financial accounting system, which will include a project costing and project billing module that will provide information that will be needed to do the billings in a timelier manner.	Continue the review and selection process to acquire a new financial accounting system		
			OTHER RECEIVABLES		
20d	Immediately write off the \$458,733 owed by Beverage Canners International.	The Department agrees. This invoice is included in the list of accounts recommended for write-off, which has been waiting for the appropriate approvals.	Pending review and approval by the Department Director. Submit to the Finance Department and the Board of County Commissioners for approval!	3/31/04	
20	Review other accounts outstanding more than one year and settle or write off.	The Department agrees with the recommendation.	The Department will review the other accounts receivables and recommend accounts with balances outstanding over 2 years old for write-off.	9/30/04	
			ACCOUNT DEPOSITS		
21a	Review credit history before establishing new accounts and establish deposit requirements according to credit risks.	The Department agrees credit history should be used in determining deposit amounts. The Department will reassess the requirement of escalated deposits.	Study the impact of escalated deposits and make recommendations for changes in the Department's deposit policy requirements.	9/30/04	
21b	Re-institute mandatory deposit escalation for customers chronically in arrears or having poor credit history.	See 21a	See 21a	See 21a	
21c	Confer with other jurisdictions to benchmark account deposit practices. Review and adjust deposit rate schedules to reflect	See 21a	See 21a	See 21a	

MIAMI-DADE WATER AND SEWER DEPARTMENT

AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW

AUDIT RESPONSE MATRIX

AUDIT RPT. PAGE # & REF	SPECIFIC AUDIT RECOMMENDATION	DEPARTMENT SPECIFIC RESPONSE	TASKS & FUNCTIONS IN RESPONSE TO AUDIT FINDINGS		ESTIMATED COMPLETION DATE DATE COMPLETED
			CIS IMPLEMENTATION	Ongoing review of business processes	
22a	"best practices" and perceived risks.	The Department agrees with the recommendations.		Ongoing Ongoing	Ongoing Ongoing
22b	Re-engineer business processes to maximize CIS effectiveness and achieve strategic objectives.	ETSD was notified that ad hoc requests would be made throughout the year for database restores.	Recently, a restore was requested and successfully completed. This procedure will be executed on an ad hoc basis several times a year.	Periodically without notice	First test completed 1/14/04 and now ongoing

//

MIAMI-DADE WATER AND SEWER DEPARTMENT
AUDIT REVIEW – WASD DELINQUENT ACCOUNTS RECEIVABLE MANAGEMENT REVIEW
AUDIT RESPONSE MATRIX

EXHIBIT A

21 ACCOUNTS DISCUSSED IN THE AUDIT REPORT ON PAGE 11

Of the 21 accounts listed on page 11 of the audit, the following information is provided:

(20) were delayed because of the CIS implementation (after the December 2001 conversion, CONPs were suspended until March 2002; when the FDOs began receiving CONPs again, there was a huge backlog of thousands of orders; therefore many CONP and reread orders were canceled programmatically by the system, as the FDOs could not keep up with the volume, it was not until well into 2003 that the backlog was brought under control; other problems with the CIS conversion also delayed field collections as well, such as the cancellation of thousands of CONP orders because many bills were not sent to customers; and FDOs also had difficulty in dispatching orders and many were lost until corrections were made to the dispatch process);

(4) were delayed because of underground leak (UGL) investigations requested by the customer (this is a legitimate request made by customers if they believe that they have a UGL and will receive a credit; it can take several months for the customer to complete all repairs and subsequently for the Department to determine if there actually was a UGL and if the repairs warrant issuing a credit);

(1) was delayed pending a certified meter test requested by the customer (another legitimate request if the customer believes that the meter is not accurate);

(8) accounts were mishandled by data entry staff (these were during the CIS implementation, and many of the procedures were new to the employees, and therefore mistakes were not uncommon until staff gained better experience);

only (2) of the accounts had service reconnected for partial payments (not 15 instances as stated in the audit report). One account was reconnected twice for partial payments: The first partial payment of \$200 brought the balance due down to \$70; the second partial payment of \$430 left a balance of \$600, but on the day of the scheduled CONP, the customer requested a certified meter test because of a high bill.

The other account was reconnected after a partial payment of \$200, because the customer said they had a leak under the house, and they requested an underground leak credit form to submit upon completion of the plumbing repairs.